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1 BEFORE THE ARIZONA CORPORATION

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3 IN THE MATTER OF THE APPLICATION OF) DOCKET NOS.:
4 ARIZONA-AMERICAN WATER COMPANY, INC.,) WS-01303A-02-0867
5 AN ARIZONA CORPORATION, FOR A) WS-01303A-02-0868
6 DETERMINATION OF THE CURRENT FAIR) WS-01303A-02-0869
7 VALUE OF ITS UTILITY PLANT AND) WS-01303A-02-0870
8 PROPERTY AND FOR INCREASES IN ITS) W-01303A-02-0908
9 RATES AND CHARGES BASED THEREON FOR)
10 UTILITY SERVICE BY ITS SUN CITY WEST)
11 WATER AND WASTEWATER DISTRICTS.) PUBLIC COMMENTS
12)
13) SPECIAL OPEN
14) MEETING
15 AND RELATED MATTERS.)

16 At: Lake Havasu City, Arizona

17 Date: November 13, 2003

18 Filed: DEC - 2 2003

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20 **REPORTER'S TRANSCRIPT OF PROCEEDINGS**

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1 BE IT REMEMBERED that the above-entitled and
2 numbered matter came on regularly to be heard before the
3 Arizona Corporation Commission, at Desert Hills Fire
4 Station, 3983 London Bridge, Lake Havasu City, Arizona,
5 commencing at 6:04 p.m. on the 13th of November, 2003.

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BEFORE: WILLIAM A. MUNDELL, Comissioner and Acting
Chairman
JEFF HATCH-MILLER, Commissioner
MIKE GLEASON, Commissioner
KRISTIN K. MAYES, Commissioner

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COLETTE E. ROSS
Certified Court Reporter
Certificate No. 50658

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1 ACTING CHMN. MUNDELL: This is the time set for
2 a public comment session on Arizona-American Water
3 Company's application for a rate increase. This is Docket
4 WS-01303A-02-0867, 68, 69, 70, and then 0908.

5 Before we get to the formal part of the
6 comment session, I am going to ask Commissioner Gleason,
7 who is a veteran, to lead us in the Pledge of Allegiance.
8 If we could all stand.

9 (Whereupon the Pledge of Allegiance was
10 recited.)

11 ACTING CHMN. MUNDELL: Let me go ahead and
12 explain the purpose of this public comment session.

13 The Corporation Commission is a little
14 different then, let's say, the Board of Supervisors, the
15 city council or the legislature.

16 What do I mean by that? We are in the State
17 Constitution. We are one of only seven states where the
18 Corporation Commission is in the constitution. For those
19 of you who haven't lived in Arizona very long, in
20 California it is called the Public Utilities Commission.
21 In other states it is called the Public Service
22 Corporation. In Illinois, where I am originally from, it
23 is called the Commerce Commission.

24 And we are one of 13 states where the
25 Commissioners are elected by the people of the state. We

1 are elected by you all. And we run statewide. In the
2 other 37 states the Commissioners are appointed by the
3 governor or the legislature or a combination of those two
4 branches of government.

5 And we serve the people of Arizona. And we
6 run statewide, not by district. And we are elected just
7 like the governor or attorney general or secretary of
8 state or state treasurer. So it is a statewide race.

9 The purpose of this proceeding this evening is
10 to listen to you all, listen to your comments and concerns
11 about this rate application. And I use the term rate
12 application as opposed to rate increase.

13 The way the process begins at the Corporation
14 Commission. We are like a court, we are quasi judicial.
15 And we have Administrative Law Judges that hear the case
16 before they even get to the Commissioners.

17 This matter is scheduled for a hearing on
18 December 4th in Phoenix. It is like a trial. The
19 witnesses are put under oath. They are cross-examined by
20 the attorneys. And when I say witnesses, it is usually
21 the accountants, engineers for the company. There are
22 accountants from our staff.

23 There is additionally the Residential Utility
24 Consumer Office, which is a separate branch of government
25 not connected to the Corporation Commission, appointed by

1 the governor, executive branch office. They routinely
2 intervene at the Commission and participate, and their
3 lawyers and accountants are part of the process. The
4 director of that, of the Residential Utility Consumer
5 Office, is here, Stephen Ahearn.

6 Stephen, if you will stand and raise your hand
7 so they see who you are.

8 Again, their office is separate and apart from
9 the Corporation Commission. And they have accountants and
10 lawyers that participate and intervene in our proceedings
11 to present the residential, residents' position. The
12 company has their lawyers that present their position.
13 RUCO presents the position of residential consumers.

14 This evening we are going to -- we want to
15 listen to you all and that's why we are here. We made it
16 a part of our process to get out of Phoenix and come to
17 the areas of the state that are impacted by our decisions
18 instead of staying in our offices in Phoenix and holding
19 these public comment sessions. We think it is important
20 to get out of Phoenix and come to your community and
21 listen to you. And then we will take what you have to say
22 into consideration.

23 I usually take what you say and it helps me
24 ask questions at the evidentiary hearing on December 4th,
25 and ultimately it will help me make a decision on this

1 rate application.

2 When we have these rate cases, again we serve
3 as judges. We listen to what the company has to say just
4 like if somebody files a lawsuit in a court. We don't get
5 to pick and choose who files an application at the
6 Commission. But we do have to give them a fair hearing,
7 we give the other side, and everybody participates and
8 then we make a decisions.

9 So that's the process. And I will go ahead
10 and turn it over to, let's start with Commissioner
11 Gleason.

12 Do you want to start, Commissioner Gleason?

13 I try and rotate the starting of the people,
14 of the Commissioners.

15 COM. GLEASON: Okay. What I usually like to
16 talk about is to explain really what a rate case is and
17 how we go about doing it. And this is, a lot of this is
18 determined by our constitution. So we have limits that we
19 have to adhere to.

20 But the first thing we do is find out what the
21 expenses of the company is. Sometimes there is expenses
22 that are strictly for the ratepayer. There are other
23 expenses that go to the shareholders of the company. And
24 then this is, that is, we operate, we find out those
25 expenses.

1 It would appear for Havasu water expenses are
2 something three hundred -- \$3,300,000, something like
3 that. The next we look at is the, what we call the rate
4 base. That is the amount of equity that the company has.
5 And that is due to quite a, quite a bit of discussion
6 about what really is in equity, what the equity of the
7 taxpayer or the ratepayers are charged with.

8 The next, I think it looks like the plant in
9 service here is about \$23,000,000, something like that.
10 And then after that is determined, that is determined, and
11 that's quite a bit of argument about what goes in there,
12 the next thing is we have to give the company a fair
13 return on their equity, on their rate base. And this is,
14 as I say, it is usually a four- or five-hour discussion
15 between accountants and lawyers. And for somebody like me
16 it is very boring. I guess it is exciting to them, but it
17 is a good sedative when you sit there and listen to it.

18 But now we have got two things. We have got
19 expenses and we have got return on investment. Now,
20 that's the size of the bucket. Those, that amount of
21 money has to be covered with the rates that the company
22 collects.

23 And then after that is determined, that money
24 is divided up among the various, if I am looking at the
25 right book here, oh, here, the various classes of

1 ratepayers. And if you -- you can't see this but these
2 are the classes of ratepayers here in Havasu. So we have
3 got the expenses. We got the equity. And then we divide
4 that among the ratepayers.

5 And let me add one thing in this. There is
6 essentially no, there is no free lunch on this. If the
7 rate for somebody is decreased, it has to be increased for
8 somebody; the bucket has to be full. I like to compare
9 this, if you dig your own well, you have to hire a well
10 driller to come out, dig the well. You have to case it.
11 You have to cement the bottom of it. You have to put
12 gravel in. You have to put pipe in. You have to buy a
13 pump to run it. Now, that is the rate base.

14 Now, if you went to the bank and borrowed the
15 money, the percent that you have to pay is the what we --
16 the rate that the company pays. The other end of it, the
17 expenses are what you pay for pumping costs, maintenance,
18 all that sort of thing.

19 So what we are doing with this large deal is
20 about the same thing if you drilled your own well. It is
21 very compatible to that.

22 The other thing that we as a Commission here,
23 I had promised people I will give a very critical
24 examination of all this data. In other words, at this
25 point in time, because of our ex parte rules, we can't say

1 I favor this or I favor this. Commissioner Mundell is
2 more expert on that than I. But we do critically examine
3 all of these numbers and come up with what we consider is
4 a fair valuation of the rates for all the ratepayers.

5 Thank you.

6 ACTING CHMN. MUNDELL: Thank you,
7 Commissioner.

8 Commissioner, our newest member, Commissioner
9 Mayes.

10 COM. MAYES: Thanks, Commissioner Mundell.

11 I would just like to say hello and thank you
12 for coming out on this evening and spending the time with
13 us. You know, every single time --

14 We have had I think four of these?

15 COM. HATCH-MILLER: Four, yes.

16 COM. MAYES: And we have had them in Sun City,
17 Surprise, Anthem, and Bullhead City earlier today. And
18 then we have got this one tonight. Every single time we
19 have learned something new from what people have told us.
20 So it is an incredible part of this process. And I would
21 encourage you to talk to us today about any issues that
22 you have with regard to AZ-American and any issues that
23 you think are pertinent to the rate case.

24 You know, people talk to us about some issues
25 including customer service. They have talked to us about

1 water quality. So we encourage you to air those issues
2 with us tonight and let us know what is really going on on
3 the ground. And, again, thank you for having us into your
4 community.

5 ACTING CHMN. MUNDELL: Thank you.

6 Commissioner Hatch-Miller?

7 COM. HATCH-MILLER: I am here to say hi. I am
8 Jeff Hatch-Miller. I am the guy with the two last names.

9 And I have had a chance to look over this from
10 an ultralight a couple, 400 feet off the ground, maybe
11 less than that. Pretty nice up there, pretty. I didn't
12 learn where the pipes were though. I couldn't tell.

13 Anyway, I had a lot of fun coming to Lake
14 Havasu. Now I am really going to enjoy the process now
15 that you can explain to us what your concerns are and what
16 your issues are.

17 Mr. Gleason, Commissioner Gleason explained
18 the process. There has been a preliminary analysis of
19 what it costs to provide you with water. The company has
20 done an analysis and they feel that they are justified in
21 asking for about a 46 percent increase. Our Staff has
22 been able to look at the same figures, do an analysis what
23 it cost to provide you water and is suggesting a roughly
24 10 percent decrease in your rates.

25 Our job is going to try and balance out what

1 our Staff is seeing in the books and what the company is
2 seeing in the books and come up with a fair and equitable
3 cost of water to you. That is truly based on what it
4 costs to deliver it. That's our job tonight.

5 I welcome your comments and your input. And
6 why don't we begin.

7 ACTING CHMN. MUNDELL: Thank you,
8 Commissioner.

9 Are there any elected officials here? I know
10 there is a Staff -- oh, please come forward and just tell
11 us, you know, identify yourself, or just stay there.

12 MR. ESPINOZA: My name is Mathew Espinoza.
13 And I am chief of the fire department. I am chief of the
14 fire department here, of the whole district, which goes
15 all the way up to I-40.

16 ACTING CHMN. MUNDELL: Thank you. Are we
17 using your facility this evening?

18 MR. ESPINOZA: Yes, you are.

19 ACTING CHMN. MUNDELL: Thank you very much for
20 your hospitality.

21 MR. ESPINOZA: You are very welcome.

22 ACTING CHMN. MUNDELL: I know there is an
23 advisor aide to Supervisor Buster Johnson.

24 MS. DONAHUE: Yes. I am Sue Donahue. I
25 represent Supervisor Buster Johnson. He apologizes for

1 not being here tonight. He is in Phoenix fighting for
2 another cause for us. But he will be back tomorrow.

3 ACTING CHMN. MUNDELL: Sounds like a busy man.
4 Thank you for being here and monitoring this public
5 meeting.

6 Commissioner Mayes?

7 COM. MAYES: Well, let's get started.

8 Theresa Saunders, would you like to --

9 MS. SAUNDERS: Yes, I would like to know
10 how --

11 ACTING CHMN. MUNDELL: If you would, just go
12 ahead and state your name for the record.

13 MS. SAUNDERS: My name is Theresa Saunders. I
14 live in Desert Hills. And if we go away for a day or two
15 and come back, it is only rust, that's all. And then
16 other days that I am there all the time, I put my washer
17 on -- and I am smart now. I do color clothes first
18 because I don't want the rust in my white clothes.

19 My husband, every, about every month and a
20 half, two months he takes the tank off the toilet and
21 cleans out the little pebbles and the sand. We have very
22 little water pressure.

23 We don't, we pay our water bill but we also
24 buy water to drink and to cook with.

25 So what is Arizona Water going to do for us to

1 clean up the water situation to give us water where we can
2 turn it on and drink it, cook with it, whatever?

3 COM. MAYES: Mr. Chairman.

4 Theresa, could I ask you a quick question
5 about that?

6 MS. SAUNDERS: Yes.

7 COM. MAYES: We have heard complaints about
8 the water quality in other places as well. And I wanted
9 to ask you if you -- have you had an opportunity to call
10 the company and, if you have, are they responsive to you?
11 We have had some concerns about that issue as well.

12 MS. SAUNDERS: You know what? I had no water
13 pressure. And it cost me two faucets to find out it
14 wasn't anything to do in the house. It was the water
15 pressure.

16 They came out. They wouldn't give me a date
17 or a time. Because I wanted to be there. They left a
18 note telling me that I had so many pounds of pressure.

19 Now, by our clubhouse, last summer and the
20 summer before, they would, and this I can't understand on
21 a Saturday or a Sunday, they would send an emergency crew
22 when we had gushers.

23 A VOICE: Six-inch main breaks.

24 ACTING CHMN. MUNDELL: Excuse me, sir. You
25 can't just shout out because we have a court reporter

1 here. And I will certainly give you an opportunity to
2 speak. But if you do decide to speak, you have to state
3 your name for the record and say whatever. But we have a
4 certain protocol we have to follow.

5 MS. SAUNDERS: My main concern, God forbid, we
6 have a fire in town. Here is our fire chief. Ask him
7 about our water pressure.

8 COM. MAYES: I think he is going to speak
9 actually, yes. So, Theresa, can I ask you one more
10 question? Sorry to keep you up there.

11 So you did contact the water company?

12 MS. SAUNDERS: Yes.

13 COM. MAYES: When you did that, did you have
14 to go through Illinois or did they have a person out
15 there?

16 MS. SAUNDERS: You know what? I really don't
17 know who I was talking to.

18 COM. MAYES: Okay.

19 MS. SAUNDERS: You just hold on, "due to a
20 heavy call load," and who knows where I was talking. I
21 was, all I was doing was trying to get somebody to come
22 down and take a look at it.

23 COM. MAYES: But you didn't feel like they
24 were very responsive to you when that happened?

25 MS. SAUNDERS: No, no. And this is my second

1 water heater, hot water heater that I had to put in.

2 COM. MAYES: Thank you.

3 ACTING CHMN. MUNDELL: Commissioner

4 Hatch-Miller.

5 COM. HATCH-MILLER: Theresa, maybe I can ask
6 generally.

7 How many of you in here have experienced rusty
8 colored water? Raise your hand.

9 Thank you. And --

10 ACTING CHMN. MUNDELL: Let the record reflect
11 there are about five or six hands that are raised.

12 COM. HATCH-MILLER: Thank you very much. I
13 think it was seven or eight.

14 ACTING CHMN. MUNDELL: Just so she can put it
15 down.

16 COM. HATCH-MILLER: Eight. And how many of
17 you have experienced low water pressure? Raise your hand,
18 please.

19 So again five or six. Okay. Thank you.

20 COM. MAYES: Okay. Matt, do you want to talk,
21 Mathew Espinoza?

22 MR. ESPINOZA: My name is Mathew Espinoza. As
23 I say, I am chief of the fire department here. I have
24 been in Desert Hills, lived here since 1986 when I first
25 moved here since I first became a fireman. And I have

1 seen the water company change hands several times.

2 And lately, since Citizens sold the water
3 company to American Water, I notice that there are
4 changes.

5 I work day in and day out with the people that
6 run the system here. They are very responsive to me. I,
7 of course I can get them on their cell phone. I know all
8 the back doors to getting in, to getting what I need from
9 the water company. As a chief I have access to those
10 numbers. I can call a guy down the hall and say I have
11 got a problem over here and they will actually come over
12 right away. So that kind of works good.

13 These people don't have that ability. I know
14 before that I have called the water company, the number
15 that is in the phone book and I end up in Illinois. And
16 just who knows where I go.

17 I also have a back door number to the Bullhead
18 office to get ahold of Mort Clark. That's easy for me.
19 That's not easy for these guys.

20 I have had numerous complaints since American
21 Water took over. And I assume that there is always going
22 to be some bugs in the system. You know, when the new
23 company takes over, you are going to have to work out the
24 bad parts, all the snags and stuff like that.

25 I had people call me and wonder why they can't

1 get their water service to a certain lot that is in Desert
2 Hills because somebody in Illinois doesn't know that
3 American Water owns, it is called, Havasu Water here. So
4 those are bugs that are bound to be worked out sooner or
5 later.

6 I do know that I worked with the water company
7 out here in the front of the station as far as trying to
8 increase some of the water pressure to some of the fire
9 hydrants to the north of us. And they have done some work
10 and they have run some lines to increase that. And I
11 believe they are going through the ADEQ process in order
12 to get that line approved so they can actually flow water
13 through it. And that will be coming.

14 As far as the water in Desert Hills and Lake
15 Havasu, the water comes out of the ground. It is just bad
16 altogether. People in Havasu don't drink Havasu water
17 unless you spend money for a reverse osmosis system, or a
18 lot of people just buy water buy, a gallon at a time, buy
19 five gallons at a time.

20 So when American Water asked for a rate
21 increase, I know that the Corporation Commission last
22 spring sat on two different rate increases. One was for
23 American -- or one was for the UniSource Energy for
24 electric and one was for the gas. And both of those were
25 asking for a 50 percent increase and they were both

1 granted roughly 21, or 21 and 22 percent.

2 Summertime, your electricity bill, you have to
3 run air conditioner, so if you are, if you run your air
4 conditioner, your electric bill is \$200 a month normally
5 and then, with a 25 percent increase, after taxes and all
6 that stuff, you are looking at \$250.

7 A lot of people, and I realize you guys are
8 looking at raising the rates across the board, Anthem and
9 whatever, in Santa Cruz and Bullhead -- not knowing, I
10 assume Anthem is a pretty prominent place and is kind of
11 affluent, whereas Desert Hills is a little different
12 story -- a lot of people, when they were faced with the
13 gas increase, and with the water or with the electric
14 increase, that they can't afford another increase.
15 Because a lot of people that live here, I am speaking
16 solely for Desert Hills, are on limited income. They are
17 on incomes. And with the price of gas that has gone up as
18 much as it has and electricity gone up and, heck, even the
19 price of meat at the supermarket has gone up to you can't
20 even afford, and you rob Peter to pay Paul so long, pretty
21 soon Peter wants his money.

22 And, you know, I don't know how many people
23 here are actually going to, you know, start eating dog
24 food because of that, but you never know. So a lot of
25 people may have to skip meals with all the increases that

1 have been going on lately. So that's all I have to say.

2 I do know from the fire department standpoint
3 that we pay for our water here also, you know, the fire
4 district does. We don't pay for the water that comes out
5 of the hydrant. We have to pay our water bill. And
6 obviously, you know, we get hit pretty hard with electric
7 increases just for the demand fees that we have to pay and
8 in addition to the actual services that we get charged.

9 So not to complain about the electric and the
10 gas, but everything is going up, except for people's
11 incomes and wages and stuff like that.

12 ACTING CHMN. MUNDELL: Let me ask you a
13 question. And you said you have lived here a pretty long
14 period of time. Have you seen an increase then in the
15 complaints since the takeover for the water system?

16 MR. ESPINOZA: You know, to tell you the
17 truth, yes.

18 ACTING CHMN. MUNDELL: Okay.

19 MR. ESPINOZA: Just in that regards. Like I
20 say, and I attribute a lot of it that there were a lot of
21 bugs to work out.

22 People that couldn't get ahold of something at
23 the water company, before you used to call on the phone
24 and you would go where you wanted, you could talk to
25 somebody. And what happened when it got switched to

1 Illinois, that you end up getting lost and just voice mail
2 here or there and not ever actually making contact with
3 anybody or even getting to where you want to be to the
4 point you hang up. And that's why a lot of people were
5 actually calling me. I don't know why that is but I get
6 called for everything from barking dogs to bad water.

7 ACTING CHMN. MUNDELL: Mr. Fix-it.

8 MR. ESPINOZA: Actually what I do, I try and
9 help people out and direct them where they need to go and
10 I contact the proper agency. And I actually did that with
11 a lot, even with the Illinois stuff and trying to direct
12 people on how to get -- you know, some of the complaints
13 were, you know, that they couldn't get service. They
14 said, hey, I need my meter turned on and I can't get ahold
15 of anybody and, when I do get ahold of somebody live, they
16 tell me they don't know anything about that and they don't
17 have any idea what I am talking about.

18 ACTING CHMN. MUNDELL: Well, you know, if that
19 happens again, please call one of my offices and we will
20 immediately solve the problem. It doesn't take a rate
21 case. If there is a complaint or hookup issue you hear
22 about, please call one of our offices and we will
23 immediately look into it for you.

24 MR. ESPINOZA: Like I say, what I would do,
25 once I kind of got familiar with the system, I would call

1 the people and tell them. And then I would have them call
2 back the people and I tell these people. I would say if
3 the company doesn't call you back shortly, give me back
4 another call and I will put another bug in their ear.

5 But I would have that company call these
6 people that wanted service because these people couldn't
7 call that direction. Like I said, a lot of that was back
8 in the earlier days when American Water first took over.

9 ACTING CHMN. MUNDELL: Thank you.

10 Commissioner Hatch-Miller?

11 COM. HATCH-MILLER: Thanks, Mr. Chairman.

12 Chief Espinoza?

13 MR. ESPINOZA: Yes.

14 COM. HATCH-MILLER: Let me make sure I heard
15 you correctly. The company has been cooperating with you
16 in terms of the fire hydrant pressure problems you talked
17 about?

18 MR. ESPINOZA: The American Water is actually
19 at this time working to increase the water to the north of
20 our fire station here.

21 Typically what happens is, down on the south
22 side of Desert Hills is where we get our water. There are
23 some pumps down there, and the wells are down there.
24 Well, the water has to pump all the way up the hill. And
25 it kind of crests down here at the station and goes

1 downhill a little bit, but that's all the way towards the
2 end of the system. That is basically a dead-end system,
3 it goes that direction and then it just stops. Havasu
4 Gardens is typically the last to get water. And so, in
5 turn, since it has to pump all the way up the hill, they
6 have the lowest pressure.

7 They recently did do an idea to run it off of
8 another booster station which is right over here. The
9 trouble is the booster station couldn't keep up. So they
10 ran another line that fills that booster station faster.

11 So sooner or later, hopefully they will have
12 this all back together. The only other problem they had
13 is that the pressure out there was normally, you know, 20,
14 30 pounds and for reverse osmosis systems you have to have
15 35 pounds of pressure in order for them to work like they
16 are supposed to. A lot of people couldn't even do RO
17 systems.

18 So what happened is that American Water
19 switched these pressures over. I know it worked for a
20 little while. But the problem is they went from 30 psi up
21 to 90 psi, which would have been good except the houses
22 weren't equipped with pressure registers because they were
23 put on 30-pound systems and they have been 30-pound
24 systems for 20 years out there and all of a sudden boom,
25 boom, boom we had a bunch of leaks. In our newsletter we

1 tried to get people to understand we had to put a
2 regulator in here also. And, you know, I did that
3 myself --

4 (Cell phone rings.)

5 COM. HATCH-MILLER: Are you supposed to go to
6 a fire?

7 MR. ESPINOZA: No.

8 ACTING CHMN. MUNDELL: They are trying to find
9 your phone.

10 COM. HATCH-MILLER: Mr. Chairman, if I might.

11 Let me ask you one other question. You are
12 saying that the groundwater here is highly mineralized and
13 has some mineral content that may not make it real tasty,
14 may not smell particularly good.

15 What about the rust, though, where is that
16 coming from? Are you familiar with that?

17 MR. ESPINOZA: To tell you the truth, a lot of
18 the system that is in place in the ground in Desert Hills
19 is old system. It was put in, it has been put in way back
20 in the '60s or '70s, in the '70s. And a lot of the local
21 lines that are even there are so substandard that they are
22 so small that they don't get the pressures to where they
23 really need to. So I would assume that some of those
24 pipes are so archaic that they would be substandard by
25 today's standards. So I don't know if they are metal

1 pipes or whatever. I do know, if I turn on the fire
2 hydrant, that the first water that comes out has a nicer
3 red color to it. But, there again, our pipes that are
4 from the ground up are basically steel pipes for fire
5 hydrants.

6 So myself, I don't own, I don't live in Desert
7 Hills, other than Crystal Beach I actually have a well.
8 It really has a good well.

9 COM. HATCH-MILLER: Maybe we ought to take
10 your water.

11 MR. ESPINOZA: So, I mean, I just know that,
12 you know, people in Desert Hills and Lake Havasu in
13 general, they don't drink their water. They either have
14 RO --

15 COM. HATCH-MILLER: I get mine from Anaheim,
16 California.

17 MR. ESPINOZA: I don't know if you have ever
18 driven through Lake Havasu, but you will see water
19 stations or water stands everywhere just because it is
20 lucrative business.

21 ACTING CHMN. MUNDELL: Commissioner Mayes?

22 COM. MAYES: Actually Commissioner
23 Hatch-Miller covered my question.

24 Chief, I don't know if you can answer this
25 question, but do you know if DEQ has done any testing of

1 the water to check to see whether maybe some of these rust
2 issues are more than just a passing concern?

3 MR. ESPINOZA: I don't know about the rust
4 issue. I know they give water quality reports I believe
5 once a year. And basically it tells you what is in your
6 water and it passes or doesn't pass. And I do know that
7 at one point or other there were some questionability
8 about some of the tests that they did that didn't, that
9 weren't passing a few years ago. I am assuming they have
10 passed now. I don't recall exactly what the issues were.

11 COM. MAYES: Maybe that's something we could
12 check into.

13 MR. ESPINOZA: There are a lot of things. The
14 water that comes out of the ground might pass the DEQ
15 standards for quality or quality standards for drinking;
16 doesn't mean you want to, though, you know. So I mean the
17 health department might say you can drink that. You know,
18 it is kind of reclaimed water from a plant. You can drink
19 that but you don't see too many people getting in line.

20 ACTING CHMN. MUNDELL: Thank you, Chief.

21 MR. ESPINOZA: You are welcome.

22 ACTING CHMN. MUNDELL: Thank you very much.

23 COM. MAYES: We have one more, M.L. Saunders.

24 MR. SAUNDERS: My wife said what I was going
25 to say. But one question:

1 My neighbor across the street from me lives
2 six months here and six months in Utah. Well, one of
3 the -- about the third month after he was gone he got a
4 \$160 water bill. Don't ask me why, what or -- but the
5 water company, they give him \$80 back. But I don't know.
6 Then we had one across the street that had 300 and some
7 odd dollar water bill and he had been gone for three
8 months.

9 ACTING CHMN. MUNDELL: Well, if you would, if
10 you could get ahold of him and have him provide that water
11 bill to us, we could certainly investigate it and figure
12 out what the issue is. Doesn't sound right to me.

13 MR. SAUNDERS: I don't know. There wasn't any
14 water leak because I crawled over to his house and
15 everything else. That's all I have got to say. We got
16 standing water, too.

17 MS. SAUNDERS: And they were very nasty and
18 called --

19 ACTING CHMN. MUNDELL: You have got to state
20 your name again, ma'am, for the record.

21 MS. SAUNDERS: My name is Theresa Saunders.
22 And we were kind of looking out for our friend's home.
23 And I called them up and I told them that Mr. Leachman
24 called me up and told me, my God, my water bill is a
25 hundred and six -- 120 or \$160.

1 I am sorry, Mike.

2 COM. GLEASON: Do you know, what size meter
3 did he have?

4 MR. SAUNDERS: About that big around.

5 COM. GLEASON: I mean, five-eighths, two-inch
6 meter?

7 MR. ESPINOZA: Probably about three quarters.

8 COM. GLEASON: Three quarters?

9 MR. ESPINOZA: Yes.

10 COM. GLEASON: There is a minimum charge at
11 present, 17 bucks on a one-inch meter and if he was using
12 water. What happens a lot of times --

13 MR. SAUNDERS: He wasn't there.

14 MS. SAUNDERS: He wasn't there.

15 ACTING CHMN. MUNDELL: One at a time, please.

16 COM. GLEASON: What happens sometimes, they
17 don't read those meters every month, it costs too much to
18 do that. They could have just calculated that rate. You
19 don't know what he was paying the previous month, previous
20 couple months.

21 MS. SAUNDERS: At the time that he got the
22 bill, he was already gone three to four months. The house
23 was closed up and everything turned off.

24 ACTING CHMN. MUNDELL: Okay. As I said
25 earlier, if you will get the documentation to us, we will

1 review it and try to determine what would be a fair and
2 equitable result. And then previous --

3 COM. MAYES: Anna?

4 ACTING CHMN. MUNDELL: Anna, are you ready
5 now?

6 MS. JENNINGS: Yes. I was ready before. Are
7 you ready?

8 ACTING CHMN. MUNDELL: I don't know, depends
9 what you say. Go ahead and state your name for the
10 record.

11 MS. JENNINGS: My name is Anna Jennings. And
12 I wanted to also make a point that our tap water is so bad
13 that it kills house plants. I went through a lot of
14 plants before I found that out. It is actually toxic to
15 house plants. So imagine what it does if you drink it
16 yourself.

17 Okay. And as far as Arizona-American being
18 unresponsive, when we first bought a piece of property up
19 here at the north end, we were getting, we were getting
20 water for four months. And some places they tie the water
21 bill with your trash bill and all that. They never
22 sent us a bill.

23 They came out, and in the middle of the summer
24 turned off our water. They could have called us,
25 something. And when I finally got ahold of them, because

1 this was on a Friday, the office said that they had sent
2 all these letters out and they were returned. Well, why
3 didn't they get on the phone? They were sending it to the
4 wrong address. They had a P.O. Box to send it to. They
5 read it back to me. They have the right mailing address.
6 They just weren't following through.

7 Okay. Let's see. And the person that
8 resolved that was from the Corporation Commission.

9 ACTING CHMN. MUNDELL: Arizona Corporation
10 Commission.

11 COM. GLEASON: Ma'am, you said that somebody
12 sent you the water bill and trash bill together?

13 MS. JENNINGS: No. I said in some places
14 they combine the water and trash bill. So we weren't sure
15 how they were going to do it. But we had never received a
16 bill for four months. And on the fifth month they turned
17 off the water. They didn't call us. They didn't check
18 the records. They were sending it to the right place.
19 They kept getting these bills returned, no such address.
20 They should, should -- doesn't that kind of send up a red
21 flag to most people?

22 COM. GLEASON: What was, was that the address
23 you put on the application for water?

24 MS. JENNINGS: That was, what is the term for
25 that, the service address, not the mailing address.

1 COM. GLEASON: Was there a mailing address on
2 your application?

3 MS. JENNINGS: Of course. They read it back
4 to me and it was correct. The phone number was correct.
5 They didn't bother to follow through.

6 COM. GLEASON: Okay.

7 COM. MAYES: Mr. Chairman?

8 ACTING CHMN. MUNDELL: Yes.

9 COM. MAYES: When you were talking to the
10 folks from the company, were you also going through
11 Illinois?

12 MS. JENNINGS: I am not sure. I talked to a
13 Carl, the regional director, Carl somebody.

14 MR. ESPINOZA: Wilkinson.

15 MS. JENNINGS: Yes, Carl Wilkinson. He
16 finally handled things. But I ended up having to go to
17 the Corporation Commission and I talked to Bob Kennedy and
18 he handled things. He was really -- where is he? Is he
19 not --

20 ACTING CHMN. MUNDELL: He was one of our
21 consumer advocates.

22 MS. JENNINGS: He was a nice guy and he
23 handled it really well.

24 ACTING CHMN. MUNDELL: Good.

25 MS. JENNINGS: Another time I called to report

1 theft of service. A construction company was building a
2 house next door, broke into my waterline while I was at
3 work and -- to use. And they had asked me that morning on
4 my way when I was leaving to work. And I said they could
5 not use it. By the time I came home, they had already
6 taken it. And I called to report it. They wouldn't do
7 anything about it. The water company wouldn't do anything
8 about it. I got a real run around.

9 Also, just lately, the past few weeks or
10 actually about a month ago, Havasu Gardens, on the
11 intersection of Mountain View and Catfish Cove where they
12 dug up, they never repaired the street. And they are
13 done.

14 I think that was it. Thank you.

15 ACTING CHMN. MUNDELL: So, as we sit here this
16 evening, the street is still dig up?

17 MS. JENNINGS: Yes. You can go and look at
18 it. It is there, dug up. They never paved it. I mean it
19 is not like there is a hole, but they never paved it, they
20 didn't replace it the way they got it.

21 ACTING CHMN. MUNDELL: Somebody else?

22 COM. HATCH-MILLER: Mr. Saunders raised his
23 hand.

24 MR. SAUNDERS: Just a second.

25 ACTING CHMN. MUNDELL: Go ahead and state your

1 name.

2 MR. SAUNDERS: Manuel Lee Saunders. On Bozman
3 and Mountain View, on the corner, there are two houses
4 here that they dug up and put water lines in. And they
5 took one of them, I think it is about 10 or 12 feet, they
6 tore up. And this has been over a year ago, oh, six
7 months ago.

8 ACTING CHMN. MUNDELL: Is it in an
9 incorporated or unincorporated area?

10 MR. SAUNDERS: It is all houses.

11 A VOICE: It has all been incorporated.

12 MR. SAUNDERS: We are the edge of the line.

13 COM. MAYES: Mr. Saunders, you are saying they
14 dug it up and didn't replace it?

15 MS. SAUNDERS: They took driveways --

16 MR. SAUNDERS: Took driveways, one, two, three
17 driveways out and never finished them. You can look out
18 there and look and see them.

19 ACTING CHMN. MUNDELL: Okay. We don't have
20 any other speaker slips but I always want to give people
21 an opportunity. Is there anyone else that -- yes, ma'am,
22 if you want to go ahead just --

23 MS. RUE: Lois Rue, R-U-E, is my name.

24 We were gone for the summer. And my neighbor
25 next door, when we came back, said there is a couple of

1 pylons, or what do you call those orange things they --
2 cones. I live on a wash. And they had theirs dug up at
3 their meter. And this is not at my meter but they dug a
4 hole because there was a leak.

5 Now, it doesn't affect my water. But the
6 leak -- they have never come back and done anything to it.
7 It has been -- I came back in October and it is was there
8 long before that. And it is still there. So they are not
9 repairing it apparently.

10 ACTING CHMN. MUNDELL: Commissioner
11 Hatch-Miller?

12 COM. HATCH-MILLER: Ms. Rue, did you call the
13 company and ask them to come back out?

14 MS. RUE: No, no. I kept waiting, because I
15 thought, well, they will come out because they are around
16 with the trucks, and they will come out and fix it. It
17 isn't affecting me, it is just that it is a big hole right
18 on the end of the wash.

19 COM. HATCH-MILLER: What is your address,
20 ma'am?

21 MS. RUE: 3033 Mescalero.

22 COM. HATCH-MILLER: I think the company might
23 have heard something.

24 MS. RUE: Pardon?

25 COM. HATCH-MILLER: The company may have just

1 heard something just now.

2 MS. RUE: Oh, they are here?

3 A VOICE: I know exactly what home it is.

4 ACTING CHMN. MUNDELL: Well, let's get it
5 fixed. If you know where it is, let's get it fixed.

6 Anyone else wish to be heard that hasn't had
7 an opportunity to be heard?

8 That's one of the, for a serious moment here,
9 that's one of the good things about these meetings. We
10 hear complaints, again, that we wouldn't normally hear.
11 And we have an opportunity, even though we are here for a
12 rate case application, there are individual problems that
13 come up in these proceedings that we can help get solved.

14 And so this lady's case I assume will be
15 solved in the near future and these people's problems will
16 be solved in the future and we also have somebody from the
17 county. So everyone, they hear the issue, we hear the
18 issue and, working together, we can hopefully solve the
19 problem.

20 Anybody else wish to be heard before I go to
21 closing remarks?

22 Commissioner Hatch-Miller?

23 COM. HATCH-MILLER: You are going to start
24 with me? You really are starting around.

25 Well, the thing I like best about coming out

1 to communities and being out here tonight with you is that
2 it is the most I found in state government that is like
3 townhalls, where people get together and talk about what
4 the needs are and try to work it out.

5 And I know the company is here and I know the
6 company has been hearing a lot of what you said and not
7 just the focus, because there wasn't really that much
8 focus on the rate increase, I think that was kind of taken
9 care of by our Staff versus their request, but the other
10 issues that you seem to be saying, that you are not able
11 to get satisfaction by calling the Illinois number, it is
12 not working for your needs, and that the water that you
13 are receiving you are glad to have, but it is not of the
14 quality that is really, you know, letting you -- it
15 sometimes becomes an irritant for you where there are
16 pebbles and sand or rust or whatever.

17 And we are trying our best to make sure, first
18 of all, that the rates are reasonable given how much it
19 costs to provide water to you, but also we are trying with
20 electricity or natural gas or water or whatever to make
21 sure the citizens of this state have, that those kinds of
22 infrastructure needs are taken care of so they can live
23 the lives they want to.

24 And we will work hard to make sure that the
25 hearing on December 4th, and whatever goes on after that,

1 is fair and open and that you know that we take a critical
2 look at your water situation and come up with a reasonable
3 final solution, at least in terms of rates and in terms of
4 some of these other issues.

5 And I thank you for this opportunity to come
6 here. And again I thank you for the Anaheim water. It
7 tastes great, no rust, no sand.

8 MS. SAUNDERS: No smoke flavor.

9 COM. HATCH-MILLER: No smoke flavor. Thank
10 you very much.

11 ACTING CHMN. MUNDELL: Thank you.

12 Commissioner Mayes?

13 COM. MAYES: Actually I was just thinking
14 maybe we should get some water from the bathroom and check
15 it out. But maybe not.

16 MRS. SAUNDERS: Check it. Don't drink it.

17 COM. MAYES: Anyway, I couldn't say it any
18 better than Commissioner Hatch-Miller. It is a real honor
19 to be with you tonight.

20 We obviously heard about some things we didn't
21 know about that you are concerned about. And my guess is
22 some of those issues will be resolved within the week
23 hopefully.

24 But some of the others, the water quality
25 issues I think are ones that we can go back and at least

1 discuss with DEQ and see where we are at with that. And
2 like Commissioner Mundell said, it is not necessarily
3 something we have to wait for the rate case to address.

4 So thanks again for having us.

5 ACTING CHMN. MUNDELL: Commissioner Gleason?

6 COM. GLEASON: Yes. I think in several of
7 these meetings there has been discussions of water
8 quality. I would guess that all of those waters have
9 passed DEQ's tests. I know Arizona-American and I don't
10 know of a single instance when they have not been up on
11 the DEQ test. And they do stay on the DEQ test because,
12 if they don't, DEQ shuts them down, simple as that.

13 Now, what we have run into several places is
14 that the, it is probably a service problem of whether that
15 water that you are getting is really of a caliber that it
16 should be provided. And that is a pretty deep and
17 difficult question. Because if you really want to take
18 all that stuff out, your rates are going to go way high.
19 It is going to cost a lot of money to get that out. But
20 that's one of the problems you have got to look at. And
21 we can get back and we can ask the company. We can come
22 back with those numbers, what will it take to do this.

23 It is probably not too hard to do. Shake your
24 head. It is not hard or it is?

25 MR. JONES: It wouldn't.

1 ACTING CHMN. MUNDELL: State your name for the
2 record.

3 MR. JONES: Ray Jones. I am the president of
4 Arizona-American Water.

5 COM. GLEASON: So this is the question. I
6 don't think we are going get into this in this rate case.
7 This is not what we are talking about in this rate case.
8 But as we do get into these things, these are the kinds of
9 things that -- why I appreciate these things. We have had
10 this come up several times. I think Ray will probably be
11 talking to some of his service people about, you know,
12 hey, we have got to do a better job of service, because it
13 is inexcusable.

14 But let me just make one thing, one point
15 here. You complain about talking to Illinois. Just wait
16 next year, you are going to be talking to India. Let me
17 make this -- modern companies are going that direction.
18 You are going to talk to a person someplace that is
19 sitting in front of a computer dialing in your address,
20 your name. And there are mistakes, sure, but that's --
21 and that's the most economical way of getting that done.

22 As I said, I have some angst when they go to
23 India for that call center rather than the U.S, but that's
24 just part of the thing. But as I said before, there is no
25 free lunch in this thing.

1 We are looking at this thing, will look
2 critically in these rates to see what is supposed to be in
3 there and not supposed to be in there. And when we get
4 done, as the constitution says, we will have you a fair
5 rate and have the company a fair rate of return.

6 ACTING CHMN. MUNDELL: Thank you, Commissioner
7 Gleason.

8 As I said at the start of this meeting, for
9 the last couple years we have been going around the state
10 to the communities that are impacted by our decisions so
11 that we can listen to your comments and concerns. And I
12 can tell you that, if we had stayed in our offices in
13 Phoenix, we would have never heard about the paving issue
14 and not fixing the roads. So that in and of itself is a
15 benefit to holding this meeting here this evening, because
16 I am sure we wouldn't have heard about it from the company
17 in Phoenix, from their lobbyists and their lawyers and
18 executives. So it is great to be here to be able to hear
19 the other side of the story from all.

20 What I could ask, call one of our offices if
21 in fact the paving problem is not taken care of in the
22 reasonable near future.

23 Now, I should have told you this at the
24 beginning of the process. I tried to explain that, when
25 we get an application, we look at it and we hold an

1 evidentiary hearing. And that hearing again will be held
2 on December 4th.

3 An Administrative Law Judge will be conducting
4 that hearing. Men and women who have been to law school
5 will conduct a hearing. It is like a trial. People are
6 put under cross-examination, the accountants for the
7 company are cross-examined, engineers are cross-examined
8 and all the other witnesses.

9 If you want to listen to that particular
10 hearing, we have an 800 number, 1 (800) 222-7000,
11 1 (800) 222-7000. You can listen to the proceedings at
12 the Commission.

13 After that hearing takes place, the
14 Administrative Law Judge will issue what is called a
15 recommended order and opinion. And just what it sounds
16 like, it is a recommended order and opinion. Then the
17 Commissioners will have an opportunity to review that
18 order. And we will set a public meeting in Phoenix to
19 vote on it.

20 So that's the process. If I were to make a
21 sports analogy, we are about in the second quarter or
22 maybe about 40 percent in the process. We are not going
23 to go back tomorrow and vote on the application. We are
24 not even close to doing that.

25 Like I said, there will be an evidentiary

1 hearing on December 4th. And ultimately, if I were to
2 sort of estimate, we will probably vote on this sometime
3 in the middle of January, late January. Just the way our
4 process works.

5 So, again, thank you very much for taking time
6 out of your busy schedule to be here. We learned a lot as
7 we always do. And we will look into your concerns.

8 Thank you. We will stand adjourned.

9 (The proceedings concluded at 6:57 p.m.)

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1 STATE OF ARIZONA)
2) ss.
3 COUNTY OF MARICOPA)
4
5
6

7 I, COLETTE E. ROSS, Certified Court Reporter No.
8 50658 for the State of Arizona, do hereby certify that the
9 foregoing printed pages constitute a full, true and
10 accurate transcript of the proceedings had in the
11 foregoing matter, all done to the best of my skill and
12 ability.

13
14 WITNESS my hand this 56th day
15 of November, 2003.
16
17
18
19

20 Colette Ross
21 COLETTE E. ROSS
22 Certified Court Reporter
23 Certificate No. 50658
24
25

Attachments

ARIZONA CORPORATION COMMISSION
Information for Public Comment Meeting

PLEASE PRINT CLEARLY

Date 11/13/03 Telephone No. 764 2254
Name Theresa Saunders
Street Address 2000 Havasu St Dr
City LHC State AZ Zip 86404

☒ I WOULD like to speak.

☐ I do NOT want to speak.

Comments: We can not drink the
good water

**** THREE MINUTE SPEAKING LIMIT ****

ARIZONA CORPORATION COMMISSION
Information for Public Comment Meeting

PLEASE PRINT CLEARLY

Date NOVEMBER 13, 2003 Telephone No. (928) 764-3333
Name Mathew Espinoza
Street Address 3483 London Bridge Rd.
City LHC State AZ Zip 86404

☒ I WOULD like to speak.

☐ I do NOT want to speak.

Comments: _____

**** THREE MINUTE SPEAKING LIMIT ****

ARIZONA CORPORATION COMMISSION
Information for Public Comment Meeting

PLEASE PRINT CLEARLY

Date 11/13/03 Telephone No. (928) 764-2254

Name M L Saunders

Street Address 2000 HAVASU GARDEN DR

City LHC State AZ Zip 86404

☒ I WOULD like to speak.

☐ I do NOT want to speak.

Comments: _____

**** THREE MINUTE SPEAKING LIMIT ****

ARIZONA CORPORATION COMMISSION
Information for Public Comment Meeting

PLEASE PRINT CLEARLY

Date 11-13-03 Telephone No. 928-764-4061

Name Anna Jennings

Street Address POB 1614

City LHC State AZ Zip 86405

☒ I WOULD like to speak.

☐ I do NOT want to speak.

Comments: _____

**** THREE MINUTE SPEAKING LIMIT ****